

PIH NOTICE 2006-03, SECTION 8 HOUSING CHOICE VOUCHER AND FINANCIAL DATA SCHEDULE TREATMENT

PIH Notice 2006-03 was issued to explain the changes to the Section 8 Housing Choice Voucher Program. Accordingly, as a result of the changes contained in PIH Notice 2006-03, changes are required to the Financial Data Schedule (FDS). Highlights of PIH Notice 2006-03 are detailed below:

- PHAs with FYE 12/31/2005 & forward should no longer report the results of the HUD 52681 on the FDS.
- PHAs with FYE 12/31/2005 & forward, that fail to file their un-audited and if applicable, their audited FDS will be assessed a 10 percent penalty against the PHA's monthly administrative fee until compliance with the filing requirement.
- Fraud Recovery will be allocated between HAP and administrative fee based on the expenses incurred in recovering the funds.
- PIH Notice 2006-03 mandates the tracking of HAP equity and Admin. Fees equity.

As a result of the above requirements contained in PIH Notice 2006-03, the changes to the FDS are as follows:

- FDS line 706 will now report the Annual Budget Authority (ABA) that the PHA has been given by the Section 8 program office for the Housing Choice Voucher Program. The PHA will report the ABA break down of HAP and Administrative Fees.
- At year-end, the ABA will be subtracted from the actual expenses incurred and the difference will be closed to FDS line 1000 and into 512.1. **The settlement sheet of A/P due HUD or A/R due from HUD for the Housing Choice Voucher Program is no longer applicable.**
- Beginning with PHA FYE 9/30/2006 and later, the FDS will incorporate two new line items, FDS Line 1117 and FDS Line 1118, Administrative Fee Equity and HAP Equity, respectively. Also, FDS Line 714, Fraud Recovery, will be broken down (detail link) to account for Fraud Recovery Administrative Fee and Fraud Recovery HAP. FDS Line 711, Investment Income - unrestricted, will be broken down (detail link) to account for Investment Income – unrestricted Administrative Fee and Investment Income – unrestricted HAP. FDS Line 720, Investment Income - restricted, will be broken down (detail link) to account for Investment Income – restricted Administrative Fee and Investment Income – restricted HAP. An example of the new FDS line items are detailed below. PHAs may want to use the new lines items to internally (manually) track HAP equity and Administrative Fees equity.

Net Cumulative Administrative Fees Equity

Line Item Number	Account Description	Comments
1117-001	Administrative Fee Equity- Beginning Balance	For initial submission, PHA populates field. For subsequent submission, field should be populated by prior year balance of line item 1117-003.
1117-010	Administrative Fee Revenue	Field will be populated from the sum of FDS line items 706-020, 706-050, and 706-055.
1117-020	Hard to House Fee Revenue	Field will be populated from FDS line item 706-030.
1117-030	Audit Costs	Field will be populated from FDS line item 706-040.
1117-040	Investment Income	Field will be populated from the sum of FDS line items 711-020 and 720-020.
1117-045	Fraud Recovery Revenue	Field will be populated from FDS line item 714-020.
1117-050	Other Revenue	To be entered by PHA. Field comment should indicate that, "PHA is expected to explain what "Other" is composed of".
1117-060	Total Admin Fee Revenue	Calculated field by the sum of 1117-010, 1117-020, 1117-030, 1117-040, 1117-045, and 1117-050.
1117-080	Total Operating Expenses	Field will be populated from FDS line item 969.
1117-090	Depreciation	Field will be populated from FDS line item 974.
1117-100	Other Expenses	To be entered by PHA. Field comment should indicate that, "PHA is expected to explain what "Other" is composed of".

1117-110	Total Expenses	Calculated field populated by the sum of 1117-080, 1117-090, and 1117-100.
1117-002	Net Administrative Fee	Calculated field populated by the sum of 1117-060 minus 1117-110.
1117-003	Administrative Fee Equity- Ending Balance	Calculated field populated by the sum of 1117-001 and 1117-002.

Net Cumulative HAP Equity

Line Item Number	Account Description	Comments
1118-001	Housing Assistance Payments Equity- Beginning Balance	For initial submission, PHA populates field. For subsequent submission, field will be populated by prior year balance of line item 1118-003.
1118-010	Housing Assistance Payment Revenues	Field will be populated from FDS line item 706-010.
1118-015	Fraud Recovery Revenue	Field will be populated from FDS line item 714-010.
1118-020	Other Revenue	To be entered by PHA. Field comment should indicate that, "PHA is expected to explain what "Other" is composed of".
1118-025	Investment Income	Field will be populated from the sum of FDS line items 711-010 and 720-010.
1118-030	Total HAP Revenues	Calculated field populated by the sum of 1118-010, 1118-015, 1118-020 and 1118-025.
1118-080	Housing Assistance Payments	Field will be populated from FDS line item 973.
1118-090	Other Expenses	To be entered by PHA. Field comment should indicate that, "PHA is expected to explain what "Other" is composed of".
1118-100	Total Housing Assistance Payments Expenses	Calculated field populated by the sum of 1118-080 and 1118-090.
1118-002	Net Housing Assistance Payments	Calculated field populated by the sum of 1118-030 minus 1118-100.
1118-003	Housing Assistance Payments Equity- Ending Balance	Calculated field populated the sum of 1118-001 and 1118-002.

Line Item Number	Account Description	Comments
714-010	Fraud Recovery HAP	This FDS line represents any fraud recoveries received by the PHA (the HAP portion) and recorded under GAAP.
714-020	Fraud Recovery Administrative Fee	This FDS line represents any fraud recoveries received by the PHA (the Administrative Fee portion) and recorded under GAAP.

Line Item Number	Account Description	Comments
711-010	Investment Income Unrestricted – HAP	This FDS line represents any unrestricted investment income generated from the investment of unrestricted excess HAPs recorded under GAAP.
711-020	Investment Income Unrestricted – Administrative Fees	This FDS line represents any unrestricted investment income generated from the investment of unrestricted excess administrative fees recorded under GAAP.

Line Item Number	Account Description	Comments
720-010	Investment Income Restricted – HAP	This FDS line represents any restricted investment income generated from the investment of restricted excess HAPs recorded under GAAP.
720-020	Investment Income Restricted – Administrative Fees	This FDS line represents any restricted investment income generated from the investment of restricted excess administrative fees recorded under GAAP.

Questions & Answers – PIH Notice 2006-03 Section 8 HCV Program

1. **Question:** When should PHAs stop reporting the results of the HUD 52681 on the Financial Data Schedule (FDS)?

Answer: For FYE 12/31/2005 and forward, PHAs should stop reporting the results of the HUD 52681 on the FDS.

2. **Question:** If a PHA has erroneously reported the HUD 52681 results when they should not have, is Invalidation of the financial submission necessary?

Answer: FASS-PH staff will conditionally approve the un-audited submission and request that the correction be made in the audited submission.

3. **Question:** Is utilization of Accounts Payable (A/P) due HUD or Accounts Receivable (A/R) due the PHA previously recorded under the 52681 permissible with PIH Notice 2006-03?

Answer: No. The A/P due HUD or the A/R due from HUD previously generated from the HUD 52681 should be closed out to FDS line 512.1. However, A/P due HUD or the A/R due from HUD are permissible for non HUD 52681 transactions.

4. **Question:** What is reported on FDS line 706 under the Section 8 Housing Choice Vouchers Program?

Answer: The PHA's Annual Budget Authority for the FYE being reported.

5. **Question:** What happens to the surplus or deficit from the Section 8 Housing Choice Vouchers Program?

Answer: It will end up on FDS line 1000 and closed in all probability to FDS line 512.1

6. **Question:** What are the responsibilities regarding the tracking of the Net Cumulative HAP equity and Net Cumulative Administrative Fee Equity prior to the reporting of it on the FDS?

Answer: Per Notice PIH 2006-05, Net Cumulative HAP equity and Net Cumulative Administrative Fee Equity must be maintained by the PHA and reported as required.

7. **Question:** When will the computation of Net Cumulative HAP Equity and Net Cumulative Administrative Fee Equity become available on the FDS?

Answer: Beginning with PHA FYE 9/30/2006 and later, the FDS will incorporate two new line items, FDS Line 1117 and FDS Line 1118, Administrative Fee Equity and HAP Equity, respectively. Also, FDS Line 714, Fraud Recovery, will be broken down (detail link) to account for Fraud Recovery Administrative Fee and Fraud Recovery HAP. FDS Line 711, Investment Income - unrestricted, will be broken down (detail

link) to account for Investment Income – unrestricted Administrative Fee and Investment Income – unrestricted HAP. FDS Line 720, Investment Income - restricted, will be broken down (detail link) to account for Investment Income – restricted Administrative Fee and Investment Income – restricted HAP. An example of the new FDS Line items are detailed above. PHAs may want to use the new lines items to internally (manually) track HAP equity and Administrative Fees equity.

8. **Question:** What amount is reported on the Schedule of Expenditures of Federal Awards for the Section 8 Housing Choice Vouchers Program?

Answer: FDS line 706 and the amount reported on the Schedule of Expenditures of Federal Awards for the Section 8 Housing Choice Vouchers Program will now reflect the Annual Budget Authority (ABA) that the PHA has been given by the Section 8 program office for the Housing Choice Voucher Program.

9. **Question:** What is the relationship between the PHA’s Annual Budget Authority funding and the PHA’s fiscal year end?

Answer: The Section 8 Annual Budget Authority (ABA) funding is on a calendar year basis while the PHA may be on a fiscal year end basis. Accordingly, the ABA may involve portions of funding from two calendar years. An example is shown below:

	<u>Annual Budget Authority Funding Letter</u>	<u>Annual Budget Authority Funding Letter</u>
FYE	CY 2005	CY 2006
3/31/2006	9 months (4/1/2005-12/31/2005)	3 months (1/1/2006 to 3/31/2006)
6/30/2006	6 months (7/1/2005 to 12/31/2005)	6 months (1/1/2006 to 6/30/2006)
9/30/2006	3 months (10/1/2005 to 12/31/2005)	9 months (1/1/2006 to 9/30/2006)
12/31/2006	0 months	12 months (1/1/2006 to 12/31/2006)

10. **Question:** What happens if a PHA does not receive e-mail correspondence from the PIH-REAC system as a result of the address contained in the Public and Indian Housing Information Center (PIC) being outdated.

Answer: The Department of Housing and Urban Development, Office of Public and Indian Housing - Real Estate Assessment Center (PIH-REAC) will be using the PHA’s e-mail address contained in PIC as the ONLY official source of contact and e-mail correspondence. Accordingly, PHAs must ensure that contact information, including correct e-mail address, is current in PIC. This information **must** be kept current at all times.

- PIH-REAC will not consider the failure to receive email communication from PIH-REAC as a valid basis for a PHA’s appeal or a waiver request if that PHA has not maintained correct contact information in PIC.
- Maintenance of accurate data will help ensure timely communication to and from the PHA and PIH-REAC.

11. **Question:** How does a PHA submit its financial information to PIH-REAC in FDS format?

Answer: PHAs can obtain specific FASS-PH submission information from the FASS-PH website at: www.hud.gov/offices/reac/products/prodpha.cfm. Under Helpful Tools, click Documents and Guidance. The 2nd bullet is the User Guide for FASPHA system that provides detailed submission instructions and guidance. Another resource is the Financial Data Schedule Line Definition and Crosswalk Guide (2nd bullet from the bottom). Also, use Appendix B (FDS line items in excel spreadsheet) to transfer trial balance accounts to corresponding FDS line item prior to actual input to the FASPHA system.

12. **Question:** Can the Net Cumulative Administrative Fee Equity be used for both HAP payments and administrative expenses?

Answer: The Net Cumulative Administrative Fee Equity can be used for administrative expenses incurred in the running of the Housing Choice Vouchers Program or for the issuance of additional HAPs to assist eligible families.

13. **Question:** Can the Net Cumulative HAP Equity be used for both HAP payments and administrative expenses?

Answer: The Net Cumulative HAP Equity can be used only for HAP payments incurred in the running of the Housing Choice Vouchers Program.